

TOWNSHIP OF CORNELL

BASIC FINANCIAL STATEMENTS

For the Year Ended March 31, 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	13
Statement of Fiduciary Net Assets	14
Notes to Financial Statements	15
Required Supplemental Information:	
Budgetary Comparison Schedule:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	21
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Fire Fund	22
Supplemental Information:	
Trust and Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	23



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Cornell
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Cornell, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cornell Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Cornell as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Cornell's basic financial statements. The schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 10, 2008

Management's Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Cornell Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. Please read it in conjunction with the Township's financial statements, which begin on page 8.

The Cornell Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the Township's financial activity; (c) identify changes in the Township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$295,541.
- The Township's expenses for the year totaled \$89,665, while revenues from all sources totaled \$91,174, resulting in an increase in net assets of \$1,509.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 8 and 9) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

Reporting the Township as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 5. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Township's financial health or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we represent the Township as one category of activity:

- Governmental activities - All of the Township's basic services are reported here including legislative, public safety, public works, recreation and culture, and general administration. Property taxes and state shared revenues make up the majority of revenue for these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds begins on page 6. The fund financial statements begin on page 10 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money.

- *Governmental funds* - All of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 14. We exclude these funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

The Township as a Whole

The Township's net combined assets increased by \$21,509.

Table 1
Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Assets:		
Current and other assets	\$ 238,401	\$ 229,057
Capital assets(net)	<u>57,140</u>	<u>55,766</u>
Total Assets	<u>\$ 295,541</u>	<u>\$ 284,823</u>
 Note Payable	 <u>\$ -</u>	 <u>\$ 20,000</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 57,140	\$ 35,766
Unrestricted	<u>238,401</u>	<u>229,057</u>
Total net assets	<u>\$ 295,541</u>	<u>\$ 264,823</u>

Net assets of the Township's governmental activities stood at \$295,541. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$238,401.

Table 2
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program Revenues:		
Charges for services	\$ 2,906	\$ 1,622
General Revenues:		
Property taxes	44,131	53,080
State revenue sharing	38,107	38,005
Interest	<u>6,030</u>	<u>5,498</u>
Total Revenues	<u>91,174</u>	<u>98,205</u>
 Program Expenses:		
Legislative	4,368	6,773
General government	39,865	37,267
Public safety	10,734	6,370

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Public works	9,975	9,875
Other	<u>4,723</u>	<u>39</u>
Total Expenses	<u>69,665</u>	<u>60,324</u>
Increase (decrease) in net assets	21,509	37,881
Net assets - beginning	264,823	226,942
Prior period adjustment	<u>9,209</u>	<u>-</u>
Net assets - ending	<u>\$ 295,541</u>	<u>\$ 264,823</u>

Governmental Activities

Revenues for the Township's governmental activities totaled \$91,174, while expenses were \$91,040. The excess of revenue over expenses was \$134. Table three below reflects the cost of each of the Township's five largest activities; General government, Public safety, Public works, and Recreation and culture, and other, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Service 2008	Net Cost of Service 2008
General government	\$ 39,865	\$ 39,840
Public works	29,975	29,975
Public Safety	10,734	10,734
Other	4,723	(1,842)
Legislative	<u>4,368</u>	<u>4,368</u>
Totals	<u>\$ 89,665</u>	<u>\$ 83,075</u>

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year. For the current fiscal year the Township's governmental funds reported total fund balance of \$238,401.

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The original budget projected a decline in fund balance in the amount of \$27,725, while the actual results showed an increase to fund balance of \$13,669.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended March 31, 2008, the Township had \$57,140, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment, and vehicles. (See table 4 below):

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 1,000	\$ 1,000
Land improvements	1,875	2,055
Buildings and improvements	44,231	46,117
Machinery and equipment	5,619	832
Vehicles	4,415	5,762
Total	<u>\$ 57,140</u>	<u>\$ 55,766</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Supervisor at the Cornell Township Hall, Delta County, Michigan.

Basic Financial Statements

TOWNSHIP OF CORNELL
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 227,080
Tax receivable	2,327
Due from State of Michigan	<u>8,994</u>
Total Current Assets	238,401
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>57,140</u>
Total assets	<u><u>\$ 295,541</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	57,140
Unrestricted	<u>238,401</u>
Total net assets	<u><u>\$ 295,541</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets Primary Government
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Governmental Activities</u>
Primary government:			
Governmental activities:			
Legislative	\$ 4,368	\$ -	\$ (4,368)
General government	39,865	25	(39,840)
Public safety	10,734	-	(10,734)
Public works	9,975	-	(9,975)
Other	4,723	2,881	(1,842)
Total governmental activities	<u>69,665</u>	<u>2,906</u>	<u>(66,759)</u>
General revenues:			
Property taxes			44,131
Interest income			6,030
State revenue sharing			<u>38,107</u>
Total general revenues			<u>88,268</u>
Change in net assets			<u>21,509</u>
Net assets - beginning, as previously stated			264,823
Prior period adjustment			<u>9,209</u>
Net assets - beginning, as restated			<u>274,032</u>
Net assets, ending			<u><u>\$ 295,541</u></u>

See accompanying notes to financial statements

**TOWNSHIP OF CORNELL
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2008**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and equivalents:			
Unrestricted	\$ 193,703	\$ 33,377	\$ 227,080
Receivables:			
Tax receivable	2,327	-	2,327
Due from State of Michigan	<u>8,994</u>	<u>-</u>	<u>8,994</u>
 Total Assets	 <u><u>\$ 205,024</u></u>	 <u><u>\$ 33,377</u></u>	 <u><u>\$ 238,401</u></u>
 FUND BALANCES			
Unreserved:			
Undesignated	<u>\$ 205,024</u>	<u>\$ 33,377</u>	<u>\$ 238,401</u>
 Total fund balances	 <u><u>\$ 205,024</u></u>	 <u><u>\$ 33,377</u></u>	 <u><u>\$ 238,401</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total fund balances for governmental funds	\$ 238,401
--	------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,000	
Land improvements	3,600	
Buildings and improvements	75,406	
Machinery and equipment	7,154	
Vehicles	47,986	
Accumulated depreciation	<u>(78,006)</u>	
Total capital assets		<u>57,140</u>

Total net assets of governmental activities	<u><u>\$ 295,541</u></u>
---	--------------------------

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2008

	General Fund	Fire Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 40,241	\$ -	\$ 40,241
State sources	38,107	-	38,107
Charges for services	25	-	25
Interest and rentals	5,687	743	6,430
Other	6,371	-	6,371
	<hr/>	<hr/>	<hr/>
Total revenues	90,431	743	91,174
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Legislative	4,368	-	4,368
General government	32,805	-	32,805
Other general government	4,891	-	4,891
Public safety	-	8,164	8,164
Highways, streets, and bridges	29,975	-	29,975
Capital outlay	-	6,114	6,114
Other	4,723	-	4,723
	<hr/>	<hr/>	<hr/>
Total expenditures	76,762	14,278	91,040
	<hr/>	<hr/>	<hr/>
Excess revenues (expenditures)	13,669	(13,535)	134
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year, as previously reported	182,146	46,912	229,058
Prior period adjustment	9,209	-	9,209
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year, as restated	191,355	46,912	238,267
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 205,024</u>	<u>\$ 33,377</u>	<u>\$ 238,401</u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Net changes in fund balances - total governmental funds	\$ 21,509
The change in net assets reported for governmental activities in the statement of activities is different because:	
Repayment of principal on debt is an expenditure in the governmental funds but reduces the outstanding debt balance in the Statement of Net Assets	(20,000)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,114) exceeded depreciation expense (\$4,739).	<u>(1,375)</u>
Changes in net assets of governmental activities	<u><u>\$ 134</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF CORNELL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2008

ASSETS

Cash and cash equivalents:

Unrestricted

\$ -

LIABILITIES

Undistributed taxes and interest:

Township of Cornell

\$ -

Delta County

-

Total liabilities

\$ -

See accompanying notes to financial statements.

Notes to Financial Statements

TOWNSHIP OF CORNELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, fire safety, and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. The Township has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. Governmental activities generally are financed through taxes, and intergovernmental revenues.
- (2) The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.
- (3) Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial report into three generic fund types within three broad categories as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

TOWNSHIP OF CORNELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (4) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net assets. State shared revenues, charges for services and interest earnings are accrued since they are measurable and available. Revenues from federal and state grants received as reimbursements for specific purposes of projects are recognized when the expenditure is incurred.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

- (5) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to December 1, the Township Clerk submits to the Township Board a proposed operating budget of the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
 - b. Prior to the beginning of the next fiscal year the budget is legally enacted through passage of an ordinance.
 - c. Budgeted amounts are as originally adopted and amended by the Township Board.
- (6) Property Taxes – Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the trust and agency fund.

TOWNSHIP OF CORNELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township's portion of the tax is collected between December 1 and February 28. Delinquent real property taxes are subsequently turned over to the County which maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within three months after the delinquency date of February 28.

The Township generally recognizes property taxes as revenue in the year the taxes are levied. The Township considers payments received from the County Treasurer as part of the tax settlement as available if they are received within ninety days of the Township's fiscal year end.

- (7) Capital Assets – Capital assets, which include property, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the Township are depreciated using the straight-line method over the estimated useful lives of the assets.
- (8) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 150,742	\$ 150,742
Uninsured	\$ 76,338	\$ 77,062
TOTAL OF CASH AND EQUIVALENTS	<u>\$ 227,080</u>	<u>\$ 227,804</u>
Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	<u>\$ 227,080</u>	

TOWNSHIP OF CORNELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B – CASH AND EQUIVALENTS (Continued)

Cash and cash equivalents consist solely of checking and saving accounts and certificates of deposit that mature in less than six months.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The Township has no investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At March 31, 2008, the Township held \$227,804 in deposits with financial institutions, of which \$77,062 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

TOWNSHIP OF CORNELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008, is as follows:

	Balance at 04/01/07	Additions	Disposals	Balance at 03/31/08
Governmental activities:				
Land, not being depreciated	\$ 1,000	\$ -	\$ -	\$ 1,000
Land improvements	3,600	-	-	3,600
Buildings and improvements	75,406	-	-	75,406
Machinery and equipment	1,040	6,114	-	7,154
Vehicles	47,986	-	-	47,986
Total capital assets	<u>129,032</u>	<u>6,114</u>	<u>-</u>	<u>135,146</u>
Less accumulated depreciation:				
Land improvements	1,545	180	-	1,725
Buildings and improvements	29,289	1,885	-	31,174
Machinery and equipment	208	1,327	-	1,535
Vehicles	42,224	1,348	-	43,572
Total accumulated depreciation	<u>73,266</u>	<u>4,740</u>	<u>-</u>	<u>78,006</u>
Net governmental activities capital assets	<u>\$ 55,766</u>	<u>\$ 1,374</u>	<u>-</u>	<u>\$ 57,140</u>

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 2,169
Public safety	<u>2,571</u>
Total governmental activities depreciation expense	<u>\$ 4,740</u>

NOTE D – LONG-TERM DEBT

The Township had two notes payable. The first loan was incurred for improvements made to the town hall. The original amount of the loan was \$11,622. The loan was payable to Chase Manhattan including interest at 11.5% and was paid in full during the month of May, 2006. The second loan was payable to the Delta County Road Commission. The original amount of the loan was \$60,000. The note is payable to the Delta County Road Commission in annual installments of \$20,000. This note bears no interest. The final two payments were made during the 06-07 and 07-08 fiscal years. The Township has no other outstanding long-term debt.

TOWNSHIP OF CORNELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE D – LONG-TERM DEBT (Continued)

The following is a summary of the long-term debt activity for the past two years:

	Balance 4/1/2006	Additions	Retirements	Balance 3/31/2008
Chase Manhattan	\$ 11,622	\$ -	\$ 11,622	\$ -
DCRC	40,000	-	40,000	-
	<u>\$ 51,622</u>	<u>\$ -</u>	<u>\$ 51,622</u>	<u>\$ -</u>

NOTE E – EMPLOYEE’S RETIREMENT SYSTEM

The Township has a defined benefit pension plan covering all of its general officials and trustees. The plan is administered by Met Life. The Township and the employees each make contributions annually in the amount of 6 percent of the employees annual compensation. Information relative to the plan is as follows:

Township contribution for the year ended 3/31/08	\$ 1,026
Active members	8
Total annual payroll for active members	17,315
Employer contribution as a percent of payroll	6%

Additional information as required by GASB Statement #25 and #27 is not available.

NOTE F – RISK MANAGEMENT

The Township has purchased commercial insurance to protect itself from risk arising from property, liability and vehicle issues. All applicable areas of risk are covered by purchased commercial insurance.

The Township has had no significant reduction in insurance coverage over the past three years.

NOTE G – PRIOR PERIOD ADJUSTMENT

During the fiscal year ended March 31, 2008, a prior period adjustment of \$9,209 was made to record the State Revenue Sharing payments in the appropriate period.

Required Supplemental Information

TOWNSHIP OF CORNELL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 21,000	\$ 21,000	\$ 40,241	\$ 19,241
State sources	35,000	35,000	38,107	3,107
Charges for services	25	25	25	-
Tax collection admin fees	3,500	3,500	3,915	415
Interest and rentals	4,800	4,800	5,687	887
Other	-	-	2,456	2,456
Total revenues	64,325	64,325	90,431	26,106
EXPENDITURES:				
Legislative:				
Board of commissioners	7,000	6,800	4,368	2,432
General government:				
Supervisor	11,000	11,000	9,832	1,168
Clerk	9,350	9,350	9,122	228
Treasurer	12,000	12,900	12,822	78
Township hall & grounds	6,000	6,000	4,411	1,589
Elections	2,500	2,500	1,029	1,471
Board of review	1,000	1,000	480	520
Public works:				
Street lighting	700	700	672	28
Roads	30,000	30,000	29,303	697
Recreation and culture:				
Recreation and parks	1,000	1,000	-	1,000
Capital Outlay				
General	1,000	1,000	-	1,000
Other:				
Miscellaneous	4,000	1,000	-	1,000
Contingency	1,000	800	-	800
Insurance & bonds	5,500	5,500	4,723	777
Total expenditures	92,050	89,550	76,762	12,788
Excess revenues (expenditures)	(27,725)	(25,225)	13,669	38,894
Fund balances - beginning of year, as previously reported	182,146	182,146	182,146	-
Prior period adjustments	9,209	9,209	9,209	-
Fund balances - beginning of year, as restated	191,355	191,355	191,355	-
Fund balances - ending	\$ 163,630	\$ 166,130	\$ 205,024	\$ 38,894

TOWNSHIP OF CORNELL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest and rentals	-	-	743	743
Total revenues	-	-	743	743
EXPENDITURES:				
Public safety:				
Fire department	13,400	13,400	8,164	5,236
Capital Outlay	15,000	15,000	6,114	8,886
Total expenditures	28,400	28,400	14,278	14,122
Excess revenues (expenditures)	(28,400)	(28,400)	(13,535)	14,865
Fund balances - beginning	46,912	46,912	46,912	-
Fund balances - ending	\$ 18,512	\$ 18,512	\$ 33,377	\$ 14,865

Supplemental Information

**TOWNSHIP OF CORNELL
TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES
March 31, 2008**

	Balance 4/1/2007	Additions	Deductions	Balance 3/31/2008
<u>TOTALS - ALL TRUST AND AGENCY FUNDS</u>				
Assets:				
Cash	\$ -	\$ 503,484	\$ 503,484	\$ -
Liabilities:				
Undistributed taxes and interest				
Township of Cornell	\$ -	\$ 41,827	\$ 41,827	\$ -
All other governments	-	461,657	461,657	-
TOTAL LIABILITIES	\$ -	\$ 503,484	\$ 503,484	\$ -

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

Cornell Township Board
Cornell, Michigan 49883

We have audited the financial statements of the governmental activities and the major funds of the Township of Cornell for the year ended March 31, 2008, and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 15, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Cornell Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether Cornell Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 15, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Cornell are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2008 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or

consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Our audit adjustments, individually and in the aggregate, were material to the financial statements taken as a whole, and were primarily to properly accrue revenues.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated September 10, 2008, on the financial statements of the Township of Cornell.

We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Township Board and management of the Township of Cornell and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 10, 2008

TOWNSHIP OF CORNELL
COMMENTS AND RECOMMENDATIONS
March 31, 2008

Year-End Accruals

Comment:

Accruals for revenues are not being recorded at year-end.

Recommendation:

In order to accurately reflect the fiscal year activity, Township personnel should make the appropriate accruals at the end of the fiscal year.

Check Approval

Comment:

During our review of the board minutes we noted that the check ranges for the disbursement approval did not flow sequentially.

Recommendation:

In order to show that all expenditures are approved we recommend including in the board minutes a listing of all of the checks, including dollar amounts, for the disbursements being approved.

General Ledger Dates

Comment:

We noted during our audit that interest revenue was posted after the date the interest was earned. We also noted that some deposits for March, 2008 were dated, and posted, in April, 2008.

Recommendation:

We recommend that interest income be posted for the month in which it is earned. We also recommend that general ledger posting dates match the deposit dates.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

To the Township Board and Management
of the Township of Cornell, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major funds of the Township of Cornell as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Cornell's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Cornell's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Cornell's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.
- A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.
- Material audit adjustments were required to the financial statements to properly accrue revenues.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America
- Material audit adjustments were required to the financial statements to properly accrue revenues.

This communication is intended solely for the information and use of management, Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 10, 2008